

Message Text

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ACTION NEA-12

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5943

INFO AMEMBASSY AMMAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TRIPOLI

USINT BAGHDAD

UUINT CAIRO

USINT DAMASCUS

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E.O. 11652: N/A

TAGS: ENRG, LE, SA, XF, XI

SUBJECT: GOL PREMIER HINTS AT SPECIAL SAUDI TREATMENT FOR ARAB
OIL CONSUMERS

SUMMARY: UPON RETURN BYTM MECPIJN#LEBANESE PM SOLH
HINTED TO PRESS THAT SAUDIS MAY EXTEND SPECIAL TREATMENT
REGARDING OIL SUPPLIES TO ARAB COUNTRIES WHICH DO NOT
PRODUCE OWN OIL. ASSUMPTION IS THAT HE REFERRED TO
SPECIAL PRICES FOR ARAB CONSUMERS. SOURCES HERE UNAWARE
OF ANY SAUDI PLANS TO INSTITUTE TWO-TIER PRICE UYSTEM.
END SUMMARY.

1. FOLLOWING RETURN JAN 7 FROM PILGRIMAGE TO MECCA,
GOL PRIME MINIUTER SOLH TOLD PRESS THAT KING FAISAL HAD
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GIVEN HIM "THE BEST HOPES" THAT SAUDI ARABIA MIGHT PROVIDE OIL TO NON-OIL-PRODUCING ARAB RPT ARAB COUNTRIES ON PREFERENTIAL BASIS. PM'S REMARKS CARRIED JAN 9 MORNING PAPERS, AT LEAST ONE OF WHICH ASSUMES HE REFERRED TO SPECIAL PRICES ALTHOUGH HE SPOKE IN GENERALITIES.

2. PAPERS CARRIED SUBSTANTIVELY IDENTICAL QUOTES. L'ORIENT-LE JOUR VERSION FOLLOWS: DECISIONS WILL BE TAKEN CONCERNING PETROLEUM AT THE CONFERENCE WHICH THE ARAB PETROLEUM COUNTRIES ARE NOW HOLDING AT GENEVA. AS FAR AS SAUDI ARABIA IS CONCERNED, IT FOLLOWS A POLICY WHICH COULD RESULT SHORTLY IN GAINS FOR THE ARABS WITHIN THE FRAMEWORK OF THE UTILIZATION OF THE OIL WEAPON. REGARDING LEBANON, WE HAVE HAD TALKS WITH SAUDI OFFICIALS AND IN PARTICULAR WITH KING FAISAL AND HAVE ESTABLISHED A RAPPORT WHICH PERMITS US TO *OURISH THE BEST HOPES. I FEEL THAT OUR EXCELLENT FRATERNAL RELATIONS WITH SAUDI ARABIA WILL ALLOW US TO MBTAIN GOOD RESULTS IN THE PETROLEUM DOMAIN. I DETECT AN INCLINATION TMWARD SPECIAL TREATMENT WHICH WOULD NOT BE CONFINED TOILEBACON ALONE BUT WOULD ALSO EXTEND TO NON-OIL-PRODUCING ARAB COUNTRIES."

3. A FEW FAYS AGO, GOL MINISTER WITHOUT PORTFOLIO JOSEPH CHADER ANCOUNCED THAT GOL MAY ASK OAEPC TO EXEMPT ARAB CONSUMING COUNTRIES FROM HUGE JAN 1 OIL PRICE INCREASES (SEE FBIS KYRENIA 052120Z JAN 7:). APPLYING OAEPC EMBARGO CATEGORIES TO PRICES, HE MAINTAINED THAT, IN ADDITION FRIENDLQ, NEUTRAL AND HOSTILE STATES, OAEPC SHOULD HAVE FOURTH CATEGORY OF "FRATERNAL ARAB STATES." HE SAID NON-OIL ARAB STATES HAVE SUFFERED FROM INFLATED PRICES OF INDUSTRIAL IMPORTS AND WILL SUFFER ECONOMIC CRISES IFITHEY MUST PAY FULL OIL PRICE INCREASE.

4. COMMENT: KNOWLEDGEABLE SOURCESIHERE KNOWIOF NO RPT NO SAUDI OR ANOTHER ARAB PLACS TO INAUGURATE TWO OR THREE-TIER OIL PRICE SYSTEM FOR ARAB OR ANY OTHER OIL CONSUMERS. THEY INITIALLY INCLINED INTERPRET SOLH REMARKS AS EFFECT DEFUSE HEAVY POPULAR AND OPPOSITION PRESSURE ON GOL TO CONTROL INFLATION. REGARDING OIL PRICES, LEBANON GETTING 60 PERCENT OF CRUDE VIA IRAQI LIMITED OFFICIAL USE

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PIPELINE AT PRICE OF \$2.55 PER BARREL FOR 1974, \$2.65 FOR 1975 (UNDER APRIL 1973 AGREEMENT WHICH IRAQIS MAY WISH RENEGOTIATE) BUT FACES PRICE OF ABOUT \$9.50 PER BARREL FOR SAUDI OIL VIA TAPLINE IFIJAN 1 GULF INCREASES APPLIED PROPORTIONATELY. IF THIS PRICE APPLIED, PETRO- LEUM PRICES HERE WOULD HAVE TO RISE, ENDANGERING WEAK SOLH GOVERNMENT.

BUFFUM

NOTE BY OCT: # AS RECEIVED. SERVICED UPON REQUEST.

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